

Bulletin 2015-15

May 6, 2015

2015 AER Administration Fees (Industry Levy)

Energy Regulation Program

The Alberta Energy Regulator (AER) regulates energy resource development within Alberta and has a mandate to ensure the safe, efficient, orderly, and environmentally responsible development of hydrocarbon resources over their entire life cycle. This includes allocating and conserving water resources, managing public lands, and protecting environment while providing economic benefits for all Albertans.

For 2015–16, the revenue required to support the AER’s operations, as approved by the Government of Alberta, is \$240 093 000.

2015 Administration Fees (Industry Levy)

Sector	Allocation (\$000)	
	2015	2014A & 2014B
Oil and gas	174 308	176 476
Oil sands	62 184	63 062
Coal	3 601	3 630
Total	240 093	243 168

The AER’s revenue requirements affect operator levy invoices. Other factors also contribute to the fee determination at an operator level, including an increase or decrease in wells or entities within the sector, ownership transfer and amalgamations, new entrants, and volume fluctuations. Invoices vary according to individual operations and are based on operating statistics for the 2014 calendar year. Invoices to operators detailing the fee calculations will be mailed on May 7, 2015, and payments are due by June 8, 2015.

The *Responsible Energy Development Act (REDA)* authorizes the AER to make rules to levy an administration fee on the oil and gas, oil sands and coal sectors. *REDA* also authorizes the imposition of a

late-payment penalty, which is set at 20 per cent on any portion of the fee that remains unpaid after the due date. The AER may also close producing facilities for failure to pay an invoice or late-payment penalty.

Invoices for 2015 administration fees are sent to and are payable by the party that was the operator as of December 31, 2014. For conventional wells and oil sands schemes, “operator” means the entity that files well production, injection, and/or disposal data with Petrinex, Canada’s Petroleum Information Network. If the operator fails to pay the fee, the licensee is responsible for paying the invoiced amount plus any penalty.

Oil and Gas

Determination of Administration Fees

The administration fee in the conventional oil and gas sector is based on individual well production of oil/bitumen or gas and the number of production and service wells for the year ended December 31, 2014.

All operating wells are classified into one of eight base fee classes as set out in the *Alberta Energy Regulator Administration Fees Rules (AFR)* and illustrated in the table below. In addition, an adjustment factor is specified and applied to each base fee. This adjustment factor ensures that the total administration fee collected for the sector satisfies the revenue requirement for the AER.

Class	Min. production (m ³ /yr)*	Max. production (m ³ /yr)	Base fee
1	Service wells		\$100.00
2	0.01	300	\$100.00
3	300.1	600	\$125.00
4	600.1	1200	\$312.00
5	1200.1	2000	\$750.00
6	2000.1	4000	\$1250.00
7	4000.1	6000	\$1625.00
8	6000.1	>	\$1875.00

* m³/yr: cubic metres per year.

In the *AFR*, the adjustment factor is set at 3.713571 of the base fee specified for wells in all classes.

Alberta Upstream Petroleum Research Fund (AUPRF)

The Canadian Association of Petroleum Producers (CAPP) and the Explorers and Producers Association of Canada (EPAC) have jointly requested that the AER's administration fee process be used to collect \$2 600 000 to fund the Alberta Upstream Petroleum Research Fund (AUPRF) in 2015. The AER has agreed to assist and has included an amount for this funding in the oil and gas well administration fee invoices. As a result, the adjustment factor used for invoicing has increased from 3.713571 to 3.768963. Payment of the AUPRF contribution is voluntary. Funds collected by the AER for the AUPRF will be passed to CAPP and EPAC. The AER is not involved in and does not make any decisions regarding the manner in which these funds are spent or to whom the funds are disbursed. On request, the AER may provide information to CAPP and EPAC regarding paid and unpaid AUPRF amounts by operator.

Oil Sands

Fees are levied in five categories based on operating information for the calendar year 2014. An operator may have activities in more than one category. Each category is subject to an adjustment factor as identified below.

Category	Allocation (\$000)	Adjustment factor
Primary ongoing	7374	3.417290
Thermal ongoing	24 087	5.090885
Thermal growth	14 747	3.118329
Mining ongoing	9094	1.998134
Mining growth	6882	12.869544
Total	62 184	

Coal

The administration fee for coal is based on each mine's share of total production volumes for the year ended December 31, 2014. It is set at \$0.118762 per tonne of coal as specified in the *AFR*.

Contact

If you have questions about the 2015 administration fees, please contact

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Finance Branch
Alberta Energy Regulator

Suite 1000, 250 – 5 Street SW
Calgary, AB T2P 0R4
Telephone: 403-297-6985
E-mail: anila.kaceli@aer.ca

Appeals

Any appeal must be made in writing (faxes are not acceptable) to

Tom Heywood, CA
Vice President, Finance, and Chief Financial Officer
Finance Branch
Alberta Energy Regulator

Suite 1000, 250 – 5 Street SW
Calgary, AB T2P 0R4
Telephone: 403-297-2133
E-mail: tom.heywood@aer.ca

Payment of all invoices is required by June 8, 2015, regardless of whether an appeal has been filed.
Following a decision on the appeal, subsequent adjustments may be applied, if needed.

<original signed by>

Tom Heywood, CA
Vice President, Finance, and Chief Financial Officer
Finance Branch

March 19, 2015

TO: 2015 AER Oil & Gas Administration Fees Recipients

Re: Industry Support for the Alberta Upstream Petroleum Research Fund (AUPRF)

On behalf of the Canadian Association of Petroleum Producers, the Explorers and Producers' Association of Canada, Alberta Energy and Alberta Environment and Sustainable Resource Development, we encourage your company's contribution to the voluntary Alberta Upstream Petroleum Research Fund (AUPRF).

All of us see significant value for the oil and gas industry in the research supported historically, and in the future, by this fund. A backgrounder on the fund is attached which describes the research priorities for 2015. The total budget necessary to implement this research program is approximately \$2.6 million.

As a funder, your organization is entitled to access to electronic copies of all final reports from AUPRF projects launched in 2015, as well as reports on best practices developed in operations learned from past research projects. Your organization will also be recognized publicly as a financial contributor to this program.

We thank you for your cooperation, and hope that you will join our efforts in supporting the substantial value to industry generated by the Alberta Upstream Petroleum Research Fund.

For additional information or if you have any questions, please contact CAPP at 403-267-1100 or communication@capp.ca or EPAC at 403-269-3454 or info@explorersandproducers.ca.

Sincerely,


Deputy Minister ADOE


Deputy Minister ESRD


President & CEO, CAPP


President, EPAC